

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Jon Wellingshoff.

Manitowoc Public Utilities

Docket No. EL07-12-000

ORDER ACCEPTING PROPOSED REVENUE REQUIREMENT
FOR REACTIVE SUPPLY AND VOLTAGE CONTROL
FROM GENERATION SOURCES SERVICE, AS MODIFIED

(Issued December 22, 2006)

1. In this order, we accept Manitowoc Public Utilities' (Manitowoc) proposed revenue requirement for providing Reactive Supply and Voltage Control from Generation Sources Service (reactive power) to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO), as modified, to become effective on January 1, 2007.

I. Background

2. On October 23, 2006, Manitowoc filed a proposed revenue requirement for providing reactive power to the Midwest ISO, pursuant to Schedule 2 of the Midwest ISO's Open Access Transmission and Energy Markets Tariff (TEMT). Manitowoc states that it provides reactive power to the Midwest ISO from its fleet of seven generating units which are connected to the regional transmission grid operated by the Midwest ISO through transmission facilities owned by American Transmission Company, LLC (ATCLLC) and are located within the Wisconsin Public Service Corporation (WPS) sub-zone of the ATCLLC zone.

3. Manitowoc's proposed annual revenue requirement for reactive power is \$303,147.00. Manitowoc states that it has developed its proposed revenue requirement to recover its fixed costs attributable to reactive power supply, consistent with the methodology approved by the Commission in *American Electric Power Service Corporation* (AEP Methodology).¹ In its calculation, Manitowoc also used a levelized fixed charge rate based on Manitowoc's costs for the period ending December 31, 2005, and an overall rate of return of 6.75 percent based on Manitowoc's weighted average cost

¹ See *American Electric Power Service Corp.*, 88 FERC ¶ 61,141, at 61,456 n. 66 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000); *WPS Westwood Generation, LLC*, 101 FERC ¶ 61,290, at P 14 (2002).

of capital from its most recent rate proceeding before the Public Service Commission of Wisconsin. Manitowoc states that it does not seek at this time to recover costs associated with heating losses or lost opportunity costs stemming from its reactive power production, but it states that it reserves the right to seek to recover these costs in a future filing.

4. Manitowoc originally requested an effective date of December 1, 2006 for the proposed revenue requirement. However, in its answer, it revised its proposal, requesting an effective date of December 22, 2006.

II. Notice of Filing and Responsive Pleadings

5. Notice of Manitowoc's filing was published in the *Federal Register*, 71 Fed. Reg. 65,094 (2006), with comments, interventions, and protests due on or before November 17, 2006. The Commission subsequently granted an extension of time to December 1, 2006. ATCLLC filed a timely motion to intervene. WPS Resources Corp., Upper Peninsula Power Company, WPS Energy Services, Inc. and WPS Power Development, LLC (together, WPS Companies) filed a timely motion to intervene and conditional protest. Manitowoc filed a motion for leave to answer and an answer to WPS Companies' protest. The Midwest ISO filed a late motion to intervene and comments.

6. WPS Companies state that they are satisfied that Manitowoc's claimed costs are adequately supported, subject to the correction of one error. WPS Companies state that in the course of preparing detailed cost information for WPS Companies, Manitowoc discovered that the generator-exciter account for two units contains turbine plant costs which do not contribute to reactive power production. Correction of this error, according to WPS Companies, results in a decrease in Manitowoc's proposed revenue requirement of approximately \$40,000.

7. In addition, WPS Companies contend that the proposed revenue requirement is not just and reasonable because it overstates the amount of reactive power capability that Manitowoc plans to commit to the Midwest ISO's grid. WPS Companies contend that Manitowoc directly serves a significant portion of its load with behind-the-meter generation. WPS Companies state that if Manitowoc is withholding a portion of its reactive power capability to serve load behind the meter, it is not providing that capability to the Midwest ISO and, therefore, should not receive compensation from the Midwest ISO for that portion of its reactive power capability. WPS Companies argue that Manitowoc should reduce its revenue requirement to exclude that portion of its reactive power capability dedicated to serving load behind-the-meter. In the alternative, WPS Companies state that Manitowoc should obtain its full reactive power supply needs from the Midwest ISO, paying the Midwest ISO for Schedule 2 service based on its entire load.

8. In its answer, Manitowoc acknowledges the error in its cost-of-service study mentioned in WPS Companies' protest and agrees to reduce its proposed revenue requirement by \$37,619 to \$265,528 to correct the error. Further, Manitowoc does not dispute WPS Companies' claim regarding loads served with generation located behind the meter and agrees with WPS Companies that the billing determinants for the service that Manitowoc takes under Schedule 2 of the Midwest ISO's TEMT should include the load served by generation behind the meter.

9. The Midwest ISO comments that, as set forth in Order Nos. 888 and 888-A,² the Commission does not permit netting of behind-the meter generation against network load. The Midwest ISO also comments that Schedule 2 of its TEMT makes no provision to self-supply reactive power and that the Commission has expressly found that a self-supply option would be inconsistent with the reactive power compensation provisions that the Commission required of the Midwest ISO.³

III. Discussion

A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Manitowoc's answer because it has provided information that assisted us in our decision-making process. We will also grant the Midwest ISO's motion to intervene out-of-time, given its interest in this proceeding, the early stage of this proceeding and the absence of any undue prejudice or delay.

² *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

³ *See Midwest Independent Transmission System Operator, Inc.*, 113 FERC ¶ 61,046 at P 57-59 (2005), *order on reh'g*, 114 FERC ¶ 61,192 (2006).

B. Revenue Requirement

11. The Commission has provided that all generators seeking to recover a reactive power revenue requirement based on actual cost data should use the *AEP Methodology*.⁴ Our review of Manitowoc's proposed revenue requirement, as modified by its answer, indicates that it has properly used the *AEP Methodology*. Although Manitowoc inadvertently included turbine plant costs for two units in its proposed revenue requirement, in its answer it has agreed to correct this mistake and reduce the revenue requirement accordingly. Accordingly, Manitowoc's proposed revenue requirement, as modified by its answer, is accepted for rate recovery purposes, to become effective January 1, 2007.⁵

12. Finally, for the purpose of billing for Schedule 2 service to designated network loads, we find that the Midwest ISO's TEMT does not permit netting of behind the meter generation against load at discrete points of delivery, consistent with the Commission's *pro forma* tariff.⁶ Moreover, Schedule 2 of the Midwest ISO's TEMT makes no provision to self-supply reactive power, and, as the Midwest ISO notes, the Commission has expressly denied requests for a self-supply option as inconsistent with the reactive power compensation provisions that the Commission required of the Midwest ISO.⁷ Thus, we agree with the Midwest ISO that its billings for service to Manitowoc's designated network loads under Schedule 2 may not net load served by behind the meter generation.

⁴ *WPS Westwood Generation LLC*, 101 FERC ¶ 61,290, at 62,167 (2002).

⁵ This is consistent with Schedule 2 of the Midwest ISO's TEMT, which provides that the revenue requirement will be made "effective on the first day of the month immediately following acceptance of the revenue requirement by the Commission or the first day of the month if Commission acceptance of such revenue requirement is on the first day of the month."

⁶ See Order No. 888 at 31,736 and Order No. 888-A at 30,258-61.

⁷ See *supra* note 5.

The Commission orders:

Manitowoc's proposed revenue requirement for reactive power service, as modified, is hereby accepted for rate recovery purposes, to become effective January 1, 2007, as discussed in the body of this order.

By the Commission. Commissioner Moeller not participating.

(S E A L)

Magalie R. Salas,
Secretary.